

THE LEONARD LETTER

A weekly electronic newsletter

Bill Leonard, Member

State Board of Equalization

February 9, 2004

*"Beware lest in your anxiety to avoid war you obtain a master."
-- Demosthenes (384-322 BC)*

UNDER THE DOME

*****21 Days and Counting*****

During his State of the State address, Governor Schwarzenegger gave the Legislature until March 1st to enact meaningful, complete workers' compensation reform. The reaction of the majority party leadership has been a big ho-hum. That leaves 21 days until the Governor's deadline passes. Republican legislators have countdown calendars hanging on their doors and are sending daily news releases reminding the public about the need to act. Newspapers are getting into the act, featuring stories of local businesses that have been hurt or even forced to close because of high premiums. Not only is our state's job climate suffering, but seriously injured workers do not get the benefits they deserve because of all the waste and fraud infecting the system. Senator Poochigian, the leading Republican on the reform effort, announced late last week that the Senate has scheduled informational hearings on the subject on February 11, 17, 25 and 26. Hearings on some of the bills are set for February 17, 18 and 25.

*****Legislative Report*****

In the last week and a half of January, 57 Assembly Bills passed. Seven were controversial Democrat bills opposed by the minority Republican caucus (ABs: 854, 858, 406, 1520, 204, 392.). In addition, two bad bills (AB 848, which sought to penalize owners of SUVs, and AB 624, which threatened the property rights of mobilehome park owners) failed and one bill died on file (AB 640, which would have extended categorical funding to state special schools). Six other non-controversial bills passed earlier in the month. The total comes to 63 two-year Assembly bills and 54 two-year Senate bills that passed before the January 31 deadline. The relatively low number reflects the controversies surrounding these bills that failed to pass by last year's deadlines and the uncertainty over how the new Governor will react.

MEDIA WATCH

*****Kudos on Critique*****

One of the most frustrating aspects of my transition to the Board of Equalization was the requirement that all my office furniture and supplies be purchased through the Prison Industry Authority (PIA). (The Legislature has exempted itself from this law.) Not only was the catalog of available furniture limited, I found the items to be more expensive than I could buy elsewhere. I am certain there are many vendors who could do a better job for the state. The San Gabriel Valley Tribune recently joined my tirade in an editorial that I commend. The editorial read, "Only the state of California could find a way to pay laborers a dismal 40 cents an hour and still manufacture products at above-market prices. ... Buy a notebook at Staples, it's a buck. Buy it from the PIA, and it's \$2.35. Ditto for the \$770 desk, which goes for \$462 online. ... [the PIA] costs too much and delivers too little." Amen.

*****Who are the Wealthy?*****

Liberals, whether in the legislature or in the media, begin their thoughts with the assumption that the money you earn belongs to someone else. It is this belief that drives them to support tax increases and harbor a certain disdain for those who are financially prosperous. A San Francisco Chronicle article last week by Robert Salladay began with the premise that President Bush's inheritance tax cut is costing California \$1 billion per year. The article explained that Assemblymembers Chan and Dutra have introduced a bill to increase the tax rate for individuals who make more than \$130,000. The problem for Ms. Chan and Mr. Dutra and others who support their effort, is that when California raises taxes on what the liberals define as "wealthy," the state actually collects less money. Back in 1991, Governor Wilson bought into the liberal logic for a moment and raised taxes on the upper-income brackets. The following two years, revenues declined by \$1 billion each. Currently, the top one percent of taxpayers in California contribute 40 percent of the state income tax, and the top 10 percent pay a combined total of 70 percent. Of the 13.5 million total state income tax returns filed last year, 348,000 reported more than \$200,000 in income. Do you consider \$200,000 to be wealthy? \$130,000? Should people in those income brackets bear an even greater disproportionate burden of state taxes because Assemblymembers Chan, Dutra and others like to spend more than they have?

IN THE BOARD ROOM

*****Head of Household?*****

A man who had been living with this girlfriend for about six years, and whom he said he intended to marry, filed his state tax return as a head of household, listing his girlfriend as his dependent. The Franchise Tax Board did not buy it. At the hearing, Ms. Migden, seeing an opportunity to advance her cause of domestic partners asked the guy if he was "partnered" with his girlfriend, whether the two of them were in a committed

relationship. Not that any of that matters since the code is clear: The head of household status is applicable to an unmarried person that "maintains" (pays over half of) a "household" for a close relative. The "household" must be the same one as the taxpayer's-- except in certain cases concerning a parent. The qualifying individual must also be a dependent of the taxpayer and various time limits apply. The man's argument was rejected by a 5-0 vote of the Board. If the Board would have cut this man slack because it did not see much of a difference between being married and shacking up for six years, then it would have opened the floodgates for other types of domestic arrangements to be recognized by the state.

ISSUE FOCUS

*****Parents Beware*****

While California may not be able to guarantee that students graduate knowing how to read and write, California law does allow school districts to dismiss minors from campus for confidential medical services. The state does not require parental consent for their children to leave school for medical services, but school districts may, as a matter of local control, choose to require parental notification and consent before releasing minors from campus for any reason. If you are the parent of a high school student, I encourage you to familiarize yourself with your district's policy so that you will know whether your child can seek medical attention without your knowledge.

A debate was held at the Folsom Cordova school district last week, driven by parents who wanted that district to change its policy. Karen England of the Capitol Resource Institute, speaking for the change, said, "Parents simply want to know where their kids are during the day and want the opportunity to be a part of important decisions made by their kids." Advocating for keeping the school district policy open to allow students to leave campus without parental consent was Planned Parenthood. School board members sided with Planned Parenthood on a 3-2 vote.

BOE AND LEGISLATIVE DATES

February 12, 2004 --- Lincoln's Birthday holiday

February 16, 2004 --- Washington's Birthday holiday

February 20, 2004 --- Last day to introduce bills this session

March 2, 2004 --- California primary election

March 31, 2004 --- Cesar Chavez holiday

April 1, 2004 --- Legislature's spring recess begins upon adjournment

April 12, 2004 --- Legislature reconvenes

NOTABLE DATES/ HISTORY

February 9, 1775 --- English Parliament declares the Massachusetts colony is in rebellion

February 9, 1825 --- House of Representatives elects John Quincy Adams 6th U.S. President

February 9, 1891 --- First shipment of asparagus arrives in San Francisco from Sacramento

February 9, 1909 --- First federal legislation prohibiting narcotics (opium)

February 10, 1763 --- The Treaty of Paris ended the French and Indian War. In the treaty France ceded Canada to England.

February 11, 1766 --- Stamp Act declared unconstitutional in Virginia

February 11, 1794 --- First session of U.S. Senate open to the public

February 11, 1812 --- The term "gerrymandering" had its beginning when the governor of Massachusetts, Elbridge Gerry, signed a redistricting law that favored his party

February 12, 1870 --- In the Utah Territory, women gained the right to vote

February 12, 1892 --- In the U.S., President Lincoln's birthday was declared to be a national holiday

February 12, 1909 --- The National Association for the Advancement of Colored People (NAACP) was founded

February 13, 1861 --- Abraham Lincoln declared President

February 14, 1912 --- Arizona becomes 48th state

February 15, 1799 --- First U.S. printed ballots authorized, Pennsylvania

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office, call toll-free 1-888-324-2798.

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